

TOWNSHIP OF RENO  
IOSCO COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Reno Township	County Iosco
Fiscal Year End March 31, 2006	Opinion Date August 24, 2006	Date Audit Report Submitted to State September 30, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 1107 E. Eighth Street		City Traverse City	State Zip MI 49686
Authorizing CPA Signature <i>Barry E. Gaudette, PC</i>		Printed Name Barry E. Gaudette, CPA	License Number 11050

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## INTRODUCTORY SECTION

TOWNSHIP OF RENO  
LIST OF ELECTED OFFICIALS  
MARCH 31, 2006

ELECTED OFFICIALS

Terry Bellville	Supervisor
Cheryl Hottois	Clerk
Elilert Barnes	Treasurer
Carol Barkholz	Trustee
Jeff Jakubik	Trustee

## FINANCIAL SECTION

## **INDEPENDENT AUDITORS' REPORT**

Members of the Township Board  
Township of Reno  
Iosco County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Reno, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Reno, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

Since it was not practical to extend my auditing procedures into the prior unaudited year, I am unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Township of Reno  
Independent Auditors' Report  
Page Two

In my opinion, except for the effects of the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Reno, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV(c), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2006.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Barry E. Audette, CPA, PC*

August 24, 2006



## **BASIC FINANCIAL STATEMENTS**

Township of Reno  
Government-Wide Financial Statements  
Statement of Net Assets  
March 31, 2006

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 266,785
Investments	6,000
Due from other funds	91
Capital assets (net of accumulated depreciation):	
Land and improvements	10,284
Buildings and improvements	56,980
Equipment	<u>1,550</u>
Total assets	<u>341,690</u>
 <b>LIABILITIES</b>	
Accrued withholdings	<u>51</u>
Total liabilities	<u>51</u>
 <b>NET ASSETS</b>	
Invested in capital assets	68,814
Unrestricted	<u>272,825</u>
Total net assets	<u><u>\$ 341,639</u></u>

See notes to financial statements

Township of Reno  
Government-Wide Financial Statements  
Statement of Activities  
For the Year Ended March 31, 2006

Functions /Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Legislative General	\$ 14,024	\$	\$	\$
Government Public works	47,263			
Community/economic development	18,949	1,374		2,049
	<u>3,232</u>	<u></u>	<u></u>	<u></u>
Total governmental activities	\$ <u>83,468</u>	\$ <u>1,374</u>	\$ <u></u>	\$ <u>2,049</u>

General revenues:  
Property taxes  
Licenses & permits  
State revenue sharing  
Interest  
Rents  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 14,024)

( 47,263)

( 15,526)

( 3,232)

( 80,045)

26,618

663

44,305

5,919

837

829

79,171

( 874)

342,513

\$ 341,639

Township of Reno  
Balance Sheet  
Governmental Funds  
March 31, 2006

	<u>General</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 266,785	\$ 266,785
Investments	6,000	6,000
Due from other funds	<u>91</u>	<u>91</u>
Total assets	<u>\$ 272,876</u>	<u>\$ 272,876</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accrued withholdings	\$ <u>51</u>	\$ <u>51</u>
Total liabilities	<u>51</u>	<u>51</u>
Fund balances		
Unreserved, reported in:		
General fund	<u>272,825</u>	<u>272,825</u>
Total fund balances	<u>272,825</u>	<u>272,825</u>
Total liabilities and fund balances	<u>\$ 272,876</u>	<u>\$ 272,876</u>

See notes to financial statements

Township of Reno  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
March 31, 2006

Amounts reported for governmental activities in the  
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 272,825
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Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported as assets in governmental funds:

Cost of capital assets	126,559
Accumulated depreciation	<u>( 57,745)</u>

Total Net Assets - Governmental Activities	<u>\$ 341,639</u>
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See notes to financial statements

Township of Reno  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance  
Governmental Funds  
For the Year Ended March 31, 2006

	<u>General</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>		
Taxes & adm. fees	\$ 26,618	\$ 26,618
Licenses & permits	663	663
State aid:		
State revenue sharing	44,305	44,305
Annual maintenance fee	2,049	2,049
Charges for services	1,374	1,374
Interest	5,919	5,919
Rents	837	837
Other:		
Miscellaneous	279	279
Refunds	<u>550</u>	<u>550</u>
Total revenues	<u>82,594</u>	<u>82,594</u>
<b>EXPENDITURES</b>		
Legislative	14,024	14,024
General government	43,377	43,377
Public works	18,949	18,949
Community/economic development	<u>3,232</u>	<u>3,232</u>
Total expenditures	<u>79,582</u>	<u>79,582</u>
Net changes in fund balances	3,012	3,012
Fund balances-beginning	<u>269,813</u>	<u>269,813</u>
Fund balances-ending	<u>\$ 272,825</u>	<u>\$ 272,825</u>

See notes to financial statements

Township of Reno  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended March 31, 2006

Amounts reported for governmental activities in the  
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$ 3,012
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (were less than) depreciation in the current period.	<u>( 3,886)</u>
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Change in net assets of governmental activities	<u><u>\$ ( 874)</u></u>
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See notes to financial statements



Township of Reno  
Statement of Fiduciary Funds  
Fiduciary Funds  
March 31, 2006

	<u>Tax Collection Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>91</u>
Total assets	<u>91</u>
<b>LIABILITIES</b>	
Due to other funds	91
Due to other governmental units	<u>          </u>
Total liabilities	<u>91</u>
<b>NET ASSETS</b>	
Held in trust for other purposes	<u><u>\$          </u></u>

See notes to financial statements

Township of Reno  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended March 31, 2006

	<u>Tax Collection Fund</u>
<b>ADDITIONS</b>	
Property tax collections and fees	\$ 498,468
Interest earned	<u>                    </u>
Total additions	<u>498,468</u>
<b>DEDUCTIONS</b>	
Payments to general fund	26,618
Payments to other governmental units	<u>471,850</u>
Total deductions	<u>498,468</u>
Changes in net assets	
Net assets - beginning	<u>                    </u>
Net assets - ending	<u><u>\$                    </u></u>

See notes to financial statements

**Township of Reno**  
**Notes to the Financial Statements**  
**March 31, 2006**

**I. Summary of significant accounting policies**

The financial statements of the Township of Reno (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Iosco County, which advances the Township 100% for the delinquent taxes.

The 2003 taxable valuation of the Township totaled \$18,065,955, on which ad valorem taxes levied consisted of .9455 mills for Township operating purposes and voted millage of 1.4678 mills for fire purposes. The fire millage is disbursed to a fire district and the operating millage is reported in the General Fund as current revenue.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following fiduciary funds:

The *tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

#### **D. Assets, liabilities, and net assets or equity**

##### **1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest

classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

## **2. Short-term interfund receivables/payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

## **3. Receivables and payables**

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

## **4. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15
Machinery & equipment	7
Office equipment	5

## **5. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The Township of Reno does not have any long-term obligations.

## **6. Fund equity**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **7. Comparative data/reclassifications**

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# **II. Stewardship, compliance, and accountability**

## **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and the capital improvement fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

**B. Excess of expenditures over appropriations**

For the year ended March 31, 2006, expenditures exceeded appropriations in the activities of treasurer and roads (the legal level of budgetary control) of the general fund by \$1,286 and \$1,449, respectively. This overexpenditure was funded by the available fund balance in the general fund.



### III. Detailed notes on all funds

#### A. Deposits, investments and credit risk

##### Deposits

At year-end, the carrying amount of the Township's deposits were \$266,785 and the bank balance was \$272,553, of which \$272,553 was covered by federal depository insurance.

##### Investments

The Township had the following investment at Independent Bank as of March 31, 2006:

Independent Bank-CD	(#0912001057)	<u>\$ 6,000</u>
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*Interest Rate Risk* - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Rate Risk* - The Township's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Township shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Township shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Township held in trust by the financial institution or bank. The Township may choose collateralization in the following form and percentages.

- |    |                                  |            |
|----|----------------------------------|------------|
| 1. | U.S. Treasury Notes              | - 100%; or |
| 2. | U.S. Treasury Notes and/or Bonds | - 75% and  |

3. Mortgage Backed Securities - 25%

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Township.

The Township has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Township places no limit on the amount the Township may invest in any one issuer. All of the Township's investments would be reported in the General and Capital Improvement Funds if there were any investments.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 266,785
Investments	<u>6,000</u>
Total	<u>\$ 272,785</u>
Cash and cash equivalents:	
General and capital improvement funds	\$ 278,553
Checks written in excess of deposits	<u>( 5,768)</u>
Total	<u>\$ 272,785</u>

**B. Receivables**

The Township does not have any material receivables as of March 31, 2006

### C. Capital assets

Capital asset activity for the year ended March 31, 2006  
was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land & improvements	\$ 10,284	\$ _____	\$ _____	\$ 10,284
Capital assets, being depreciated:				
Buildings & improvements:				
Township hall	111,934			111,934
Equipment	<u>4,341</u>	_____	_____	<u>4,341</u>
Total capital assets being depreciated	<u>116,275</u>	_____	_____	<u>116,275</u>
Less accumulated depreciation for:				
Buildings & improvements:				
Township hall	( 51,688)	( 3,266)		( 54,954)
Equipment	<u>( 2,171)</u>	<u>( 620)</u>	_____	<u>( 2,791)</u>
Total accumulated depreciation	<u>( 53,859)</u>	<u>( 3,886)</u>	_____	<u>( 57,745)</u>
Total capital assets, being depreciated, net	<u>62,416</u>	<u>( 3,886)</u>	_____	<u>58,530</u>
Governmental activities capital assets, net	<u>\$ 72,700</u>	<u>\$ ( 3,886)</u>	<u>\$ _____</u>	<u>\$ 68,814</u>

Depreciation expense was charged to functions/programs of the  
government as follows:

Governmental activities:	
General government	\$ <u>3,886</u>
Total depreciation expense- governmental activities	\$ <u>3,886</u>

#### **D. Interfund receivables, payables, and transfers**

There were no transfers between funds during the fiscal year ending March 31, 2006.

The composition of interfund balances as of March 31, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Agency fund	\$ <u>91</u>

#### **IV. Other information**

##### **A. Risk management**

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

##### **B. Pension plan**

The Township has a defined contribution pension plan that covers all Township Board members. Under the plan the Township contributes a percentage of each covered employee's wages to the plan. Retirement plan expense for the current fiscal year was \$2,651.

##### **C. Implementation of new accounting standard**

As of and for the year ended March 31, 2006, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

## **Required Supplementary Information**

Township of Reno  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes and related fees	\$ 28,500	\$ 28,500	\$ 26,618	\$ ( 1,882)
Licenses & permits	1,000	1,000	663	( 337)
State aid:				
State revenue sharing	43,000	43,000	44,305	1,305
Annual maintenance fee			2,049	2,049
Charges for services	2,000	2,000	1,374	( 626)
Interest	1,200	1,200	5,919	4,719
Rents	800	800	837	37
Other:				
Miscellaneous			279	279
Refunds			550	550
Total revenues	<u>76,500</u>	<u>76,500</u>	<u>82,594</u>	<u>6,094</u>
<b>EXPENDITURES</b>				
Legislative:				
Township board	<u>19,900</u>	<u>20,300</u>	<u>14,024</u>	<u>6,276</u>
General government:				
Supervisor	9,500	9,600	8,975	625
Treasurer	11,500	11,600	12,886	( 1,286)
Assessor	7,200	7,200	6,660	540
Clerk	9,000	10,100	9,533	567
Elections	1,200	1,200	662	538
Township hall	5,500	5,500	2,601	2,899
All other general government:				
Cemetery	<u>3,000</u>	<u>3,000</u>	<u>2,060</u>	<u>940</u>
Total general government	<u>46,900</u>	<u>48,200</u>	<u>43,377</u>	<u>4,823</u>
Public safety:				
Fire	<u>2,500</u>	<u>2,500</u>		<u>2,500</u>

Township of Reno  
General Fund  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended March 31, 2006  
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>EXPENDITURES</b>				
<b>(CONTINUED):</b>				
Public works:				
Roads	<u>15,000</u>	<u>17,500</u>	<u>18,949</u>	<u>( 1,449)</u>
Community/economic				
development:				
Zoning	<u>4,000</u>	<u>4,300</u>	<u>3,232</u>	<u>1,068</u>
Total				
expenditures	<u>88,300</u>	<u>92,800</u>	<u>79,582</u>	<u>13,218</u>
Net change in fund				
balances	<u>( 11,800)</u>	<u>( 16,300)</u>	<u>3,012</u>	<u>19,312</u>
Fund balances-				
beginning	<u>269,751</u>	<u>269,751</u>	<u>269,813</u>	<u>62</u>
Fund balances-ending	<u>\$257,951</u>	<u>\$ 253,451</u>	<u>\$272,825</u>	<u>\$ 19,374</u>

See notes to financial statements

## COMMENTS AND RECOMMENDATIONS



Members of the Township Board  
Township of Reno  
Iosco County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of the Township Board and the Michigan Department of Treasury and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

August 24, 2006